

**STATEMENT OF THE HONORABLE R. JAMES “JIM” NICHOLSON**

**SECRETARY OF VETERANS AFFAIRS**

**FOR PRESENTATION BEFORE THE  
HOUSE COMMITTEE ON VETERANS’ AFFAIRS**

**February 16, 2005**

Mr. Chairman and members of the Committee, good morning. I am deeply honored that the President has given me the opportunity to serve as Secretary of Veterans Affairs. My service in the United States Army was the defining experience of my life and instilled me with a strong sense of duty, honor, and country. I look forward to working with you and the thousands of dedicated employees who are carrying out the compelling mission of the Department of Veterans Affairs (VA) by ensuring the delivery of timely, high-quality benefits and services earned by our servicemen and women who have sacrificed so much in defense of freedom.

I am pleased to be here today to present the President’s 2006 budget proposal for VA. The request totals \$70.8 billion—\$37.4 billion for entitlement programs and \$33.4 billion for discretionary programs. Our budget request for discretionary funds represents an increase of \$880 million, or 2.7 percent, over the enacted level for 2005.

With the resources requested for VA in the 2006 budget, we aim to build upon many of the Department’s achievements that have dramatically improved benefits and services to veterans and their families since the President came to office. The most noteworthy accomplishments are that VA:

- provided health care to about 1 million more patients
- improved the quality of patient care that sets the national standard of excellence for the health care industry
- dramatically lowered the backlog of rating claims for disability compensation and pension from a high of 432,000 to 321,000 (for all claims the backlog peaked at over 600,000)
- reduced the average length of time to process compensation and pension claims from a high of 230 days to approximately 160 days
- continued the largest expansion of the national cemetery system since the Civil War to honor veterans with a final resting place and lasting memorial that commemorates their service to our country.

With strong support from the President, VA has made excellent progress in sharpening its focus on more effectively meeting the needs of those veterans who count on us the most—veterans with service-connected disabilities, those with lower incomes, and veterans with special health care needs. I fully support

this strategy and am committed to ensuring that our health care resources continue to be concentrated on care for veterans most in need of the Department's services. As an integral part of this focused strategy, we will make it a top priority to provide ongoing benefits and services to the servicemen and women who served in Operations Enduring and Iraqi Freedom. VA's goal is to ensure that every seriously injured or ill serviceman or woman returning from combat receives priority treatment and consideration. We will continue to work closely with the Department of Defense (DoD) to develop ways by which to move records more efficiently between the two agencies, share critical medical information electronically, protect the health of troops stationed in areas where environmental hazards pose threats, process benefit claims as one shared system, and in every way possible, ease their transition from active duty to civilian life.

### Medical Care

The President's 2006 request includes total budgetary resources of \$30.7 billion (including \$750 million for construction and \$2.6 billion in collections) for the medical care program, an increase of 2.5 percent over the enacted level for 2005, and more than 47 percent above the 2001 level. The \$750 million in construction will be devoted to the Capital Asset Realignment for Enhanced Services (CARES) program, bringing the total Department investment to \$2.15 billion over 3 years.

Given the current fiscal environment, it is more important than ever that VA concentrate its resources, policies, and strategies on those veterans identified by Congress as high priority. The President's 2006 budget request includes policies and strategies used successfully during the last few years to focus VA health care resources on veterans with service-connected disabilities, those with lower incomes, and veterans needing our specialized services. In particular, this budget assumes continued suspension of enrollment of new Priority 8 veterans, as this has proven to be the most effective vehicle through which to focus our health care resources on our highest priority patients.

But maintaining the current enrollment policy will not in itself ensure us sufficient resources for the care of those who need us the most. The President's 2006 budget asks that you enact two important legislative proposals—an annual enrollment fee of \$250 and an increase in pharmacy co-payments from \$7 to \$15 for a 30-day supply of drugs, both pertaining to only Priority 7 and 8 veterans. This fee and the increase in co-payments pertain to only veterans who have no compensable service-connected disabilities and do have the means to contribute to the cost of their care. This budget asks these veterans to shoulder a small share of the cost so that we may adequately care for our high-priority veterans.

The proposed enrollment fee is very similar to the fee the law requires retired service members to pay in order to participate in TRICARE, and is arguably even more justified. As you know, TRICARE enrollees generally must have served on active duty for at least 20 years, and many of them are former enlisted personnel with modest retirement incomes. Many of the veterans who would be asked to pay our proposed fee would have served only 2 to 4 years. In addition, all Priority 7 and 8 veterans affected by this proposal would have incomes above \$25,842 if they are single and above \$30,013 if married.

I recognize that Congress has not supported either of these proposals during the past 2 years. However, these two legislative proposals are consistent with the priority health care structure Congress enacted several years ago and will help us meet the needs of our highest priority veterans. In addition, past utilization of VA's health care services has demonstrated that veterans with higher incomes (Priority 7 and 8 veterans) rely less on VA for delivering their health care and usually have other health care options, including third party insurance coverage and Medicare. An annual enrollment fee of \$250 and an increase in co-payments for pharmacy benefits from \$7 to \$15 would give higher income, non-disabled Priority 7 and 8 veterans the option of sharing a small portion of the cost of their care or utilizing other health care options. Our high-priority patients typically do not have other health care options, so we must act decisively to protect their interests by making sure that sufficient resources are available to handle their health care needs.

With medical care resources of \$30.7 billion, we project that we will treat more than 5.2 million patients. Those in Priorities 1 to 6 will comprise 78 percent of the total number of veteran patients in 2006. This will represent the third consecutive year during which our high-priority veterans will increase as a percentage of all veterans treated. In addition, about 9 of every 10 medical care dollars in 2006 will be devoted to meeting the health care needs of those veterans who count on us the most.

Even with an increasing patient workload among our highest priority veterans, we will continue our steadfast commitment to providing high-quality and accessible health care that sets the national standard of excellence for the health care industry. Our two primary measures of health care quality—clinical practice guidelines index and prevention index—focus on the degree to which VA follows nationally recognized guidelines and standards of care that the medical literature has proven to be directly linked with improved health outcomes for patients and more efficient care. Our performance on the clinical practice guidelines index, which focuses on high-prevalence and high-risk diseases that have a significant impact on veterans' overall health status, is expected to hold steady at the current high performance level of 77 percent. As an indicator aimed at primary prevention and early detection recommendations dealing with immunizations and screenings, the prevention index is projected to remain at its existing high rate of performance of 88 percent. VA continues to exceed the performance of private

sector and Medicare providers for all 15 key health care quality indicators for which comparable data are available. These indicators include cancer screening for early detection, and immunization for influenza and pneumonia. In addition, they cover disease management measures such as compliance with accepted clinical guidelines in managing diabetes, heart disease, hypertensive disease, and mental health.

The Department has greatly improved access to our health care services during the last few years by opening additional outpatient clinics, applying information technology strategies to streamline administrative, business, and care delivery processes, and implementing pay policies and human resource management practices to facilitate hiring and retain sufficient health care workers to meet capacity demands across the full continuum of care. These initiatives have helped VA raise the percent of primary care appointments scheduled within 30 days of the patient's desired date to 94 percent and the percent of specialty care appointments scheduled within 30 days of the patient's desired date to 93 percent. By continuing these types of strategies, improving clinical efficiencies, and effectively utilizing the resources requested in our 2006 budget, VA will maintain these high performance levels.

The Department's record of success in health care delivery is substantiated by the results of the 2004 American Customer Satisfaction Index (ACSI). Conducted by the National Quality Research Center at the University of Michigan Business School, the most recent ACSI survey found that customer satisfaction with VA's health care system was markedly above the satisfaction level for Federal Government services as a whole. Results released in December 2004 revealed that inpatients at VA medical centers recorded a satisfaction level of 84 out of a possible 100 points, while outpatients at VA clinics registered a satisfaction score of 83. Both of these are well above the government average of 72.

In addition, the results of a recent study conducted by the RAND Corporation revealed that patients in VA's health care system were more likely to receive recommended care than private-sector patients. Quality of care was better for VA patients on all measures except acute care, for which care was similar for both patient groups. RAND researchers examined the medical records of nearly 600 VA patients and about 1,000 non-VA patients with similar health problems. They compared the treatment received by both groups to well-established standards for medical care for 26 conditions. They found that 67 percent of VA patients received care that met the latest standards of the health care profession compared with 51 percent of non-VA patients. For preventive care, such as vaccination, cancer screening, and early disease detection and treatment, 64 percent of VA patients received the appropriate care compared to only 44 percent in the private sector. The RAND researchers attributed the difference in patient care to technological innovations, such as VA's computerized patient records, and to performance measurement policies holding top managers

accountable for standards in preventive care and the treatment of long-term conditions.

As another means by which to ensure sufficient resources are available to address the health care needs of those veterans who count on us the most, VA is proposing to revise the eligibility criteria for long-term care services to focus on the following groups of veterans:

- those injured or disabled while on active duty, including veterans who served in Operations Enduring and Iraqi Freedom
- those catastrophically disabled
- patients requiring short-term care subsequent to a hospital stay
- those needing hospice or respite care.

These eligibility criteria would be applied to VA-sponsored long-term care services, including VA, community, and state nursing homes. This long-term care strategy will save approximately \$496 million that will be redirected toward meeting the health care needs of veterans with service-connected disabilities, those with lower incomes, and veterans with special health care needs.

In 2006 the Department will continue to expand access to non-institutional long-term care services to all enrolled veterans with an emphasis on community-based and in-home care. In many cases this approach allows VA to provide these services to veterans where they live and to care for them in the comfort and familiar setting of their home surrounded by their family. During 2006 VA will increase the number of patients receiving non-institutional long-term care, as measured by the average daily census, to about 35,500. This total is over 50 percent above the number of patients receiving this type of care in 2001. Funding for non-institutional long-term care in 2006 will be about 67 percent higher than the resource level devoted to this type of health care service in 2001.

VA's 2006 medical care request includes \$1.2 billion (an additional \$100 million over the 2005 enacted level) to support the increasing workload associated with the purchase and repair of prosthetics and sensory aids to improve veterans' quality of life. VA is already providing prosthetics and sensory aids to many military personnel who served in Operations Enduring and Iraqi Freedom and will continue to provide them as needed.

The President's 2006 budget includes \$2.2 billion (an additional \$100 million over the 2005 level) to continue our effort to improve access to mental health services across the country. These funds will help ensure VA provides standardized and equitable access throughout the nation to a full continuum of care for veterans with mental health disorders.

We have included a management efficiency rate of 2 percent which will yield about \$600 million in 2006. We continue to monitor and emphasize the need for performance that results in minimizing unit costs where possible, and eliminating inefficiency in the provision of quality health care. To that end, we have included

within this savings target, \$150 million that will be achieved through implementation of improved contracting practices with medical schools and other VA affiliates for scarce medical specialties. This is a long-standing issue for which the Department is aggressively implementing management changes to ensure fair pricing for the services provided by our affiliates.

As a result of continual improvements in our medical collections processes and the policy changes presented in this budget request, we expect to collect about \$2.6 billion in 2006 that will substantially supplement the resources available from appropriated sources. This figure is \$635 million (or 32.5 percent) above the 2005 estimate, with two-thirds of the increase due to the two important legislative proposals, and is more than 48 percent higher than the 2004 collections total. VA has an expanded revenue improvement strategy that focuses on modeling industry best performance by establishing industry-based performance and operational metrics, developing technological enhancements, and integrating industry-proven businesses approaches, including the establishment of centralized revenue operation centers. There are two electronic data initiatives underway that will add efficiencies to the billing and collections processes. The electronic and insurance identification and verification project is providing VA medical centers with an automated mechanism to obtain veterans' insurance information from health plans that participate in this electronic data exchange. We are pursuing enhancements which will provide additional insurance information stored by other government agencies. Our second initiative will result in electronic outpatient pharmacy claims processing to provide real-time claims adjudication.

#### Capital Asset Realignment for Enhanced Services (CARES)

The President's budget request includes \$750 million in 2006 to continue the CARES program that will renovate and modernize VA's health care infrastructure and provide greater access to higher quality care for more veterans, closer to where they live. About \$50 million of this total relates to the sale of assets and enhanced use proceeds of the Lakeside hospital in Chicago. The budget request provides a 3-year (2004-2006) investment total of \$2.15 billion committed to this historic transformation of our health care system. These resources will be used to address our prioritized list of major capital investments. The proposed projects for 2006 will advance the CARES program by providing construction funding for five projects for which design work has already started, as well as two additional projects to be initiated in 2006. All of these capital projects support the recommendations included in the CARES Decision report. About half of the CARES funding requested for 2006 will be devoted to three major construction projects:

- Las Vegas, Nevada, New Medical Facility—\$199 million to complete phase two construction, providing up to 90 inpatient beds, a 120-bed nursing home care unit, ambulatory care center, and administrative and support functions, all of which will expand capacity and increase the scope

of health care services available; VA is working with DoD to ensure mutual needs are met

- Cleveland, Ohio, Cleveland-Brecksville Consolidation—\$87.3 million to complete phase two construction; this project will consolidate and co-locate all clinical and administrative functions of a two-division medical center at the Wade Park VA Medical Center, leading to annual cost savings of more than \$23 million and enhancing the quality of care
- Pittsburgh, Pennsylvania, Consolidation of Campuses—\$82.5 million to complete phase two construction; this project will consolidate a three-division health care delivery system into two divisions which will improve patient care by providing a state-of-the-art health care environment and reducing operating expenses.

Our capital investment planning process and methodology involve a Department-wide approach for the use of capital funds and ensure all major investments are based upon sound economic principles and are fully linked to strategic planning, budget, and performance measures and targets. All CARES projects have been reviewed using a consistent set of evaluation criteria that address service delivery enhancements, safeguarding assets, support of special emphasis programs and services, capital portfolio goals, alignment with the President's Management Agenda, and financial priorities.

### Medical and Prosthetic Research

The President's 2006 budget includes \$786 million to support VA's medical and prosthetic research program. This resource level will fund nearly 2,700 high-priority research projects to expand knowledge in areas critical to veterans' health care needs, most notably research in the areas of aging, acute and traumatic injury, the effects of military and environmental exposures, mental illness, substance abuse, cancer, and heart disease.

The requested level of funding for the medical and prosthetic research program will position the Department to build upon its long track record of success in conducting research projects that lead to clinically useful interventions that improve veterans' health and quality of life. Examples of some of the recent contributions made by VA research to the advancement of medicine are:

- development of an artificial nerve system that enables a patient with upper-limb paralysis to grasp objects
- creation of a new collaborative model for treating depression in older adults, the application of which potentially saves lives, reduces patients' level of pain, and improves their overall functioning
- the finding that proper intake of cereal fiber and vitamin D are among the best ways to prevent serious colon polyps that may lead to colorectal cancer
- development of an oral drug that halts the deadly action of the smallpox virus.

In addition to VA appropriations, VA researchers compete and receive funds from other federal and non-federal sources. Funding from external sources is expected to continue to increase in 2006. Through a combination of VA resources and funds from outside sources, the total research budget in 2006 will be nearly \$1.7 billion.

### Veterans' Benefits

The Department's 2006 budget request includes \$37.4 billion for the entitlement costs associated with all benefits administered by the Veterans Benefits Administration (VBA). This total includes an additional \$812 million for disability compensation payments to veterans and their survivors for disabilities or diseases incurred or aggravated while on active duty. Recipients of these compensation benefits are projected to increase to 3 million in 2006 (2.7 million veterans and 0.3 million survivors, or 400,000 more than when the President came to office).

The President's budget request includes \$1.26 billion for the management of the following benefits programs—disability compensation; pension; education; vocational rehabilitation and employment; housing; and life insurance. This total is \$77 million, or 6.6 percent, over the 2005 level. As a result of the enactment of the Consolidated Appropriations Act, 2005 (Public Law 108-447), an additional \$125 million will be made available to VBA (through a transfer of funds from medical care) for disability benefits claims processing. Of this total, \$75 million will be used during 2005 and the remaining \$50 million will be used in 2006. The overwhelming majority of these funds will be used to address the increased volume of compensation claims from both separating service members and older veterans who had not previously submitted claims.

As a Presidential initiative, improving the timeliness and accuracy of claims processing remains the Department's top priority associated with our benefits programs. Last year the timeliness of our compensation and pension claims processing improved by 9 percent (from 182 days in 2003 to 166 days in 2004). While we were successful in reducing the time it takes to process claims for compensation and pension benefits, we were not able to improve timeliness as much as we had projected at the beginning of the year. Entering 2004, VA was well positioned to meet our performance goals pertaining to the timeliness of processing claims. However, a September 2003 decision by the Federal Circuit Court in the case of the *Paralyzed Veterans of America et. al. v. the Secretary of Veterans Affairs* required VA to keep veterans' claims open for 1 year before making a decision to deny a claim. As a result, decisions on over 62,000 claims were deferred, many for as much as 90 days. While the President signed correcting legislation in December 2003, the impact of the court decision in the early portion of 2004 was substantial, as the number of pending claims had grown dramatically. VA made significant progress during the last half of the year,



but we were not able to fully overcome the negative effects from this court decision on our claims processing timeliness.

We have had to revise our claims processing timeliness goals for the next 2 years due, in part, to the lingering effect of the Federal Circuit Court decision. Also having an impact on the timeliness of processing is the increasing volume of disability claims. In addition, VA will continue to face the retirement of staff members highly experienced in processing claims. While we have established a sound succession plan, the new employees we are hiring will require both extensive training and substantial claims processing experience in order for them to reach the productivity level of those leaving the Department.

During 2005 we expect to reduce the average number of days to process compensation and pension claims to 145 days, an improvement of 12.7 percent from the 2004 performance level. With the resources requested in the 2006 budget, we will be able to maintain this improved timeliness in support of this Presidential initiative. In addition, we will reduce the number of pending claims for compensation and pension benefits to 283,000 by the end of 2006, a reduction of 12 percent from the total at the close of 2004.

We will increase our efforts to ensure the consistency of our disability evaluations from one regional office to another. VA has made significant improvements in both the accuracy and consistency of its benefit entitlement decisions due to increased quality assurance efforts and more focused training of claims adjudicators. However, more must be done to ensure the Department meets its commitment to treating every veteran's claim fairly and equitably. A system-wide review of the rating program for disability compensation is underway. In addition, our efforts are supported in the 2006 budget by a request for \$1.2 million for skills certification testing and \$2.6 million for continued development of computer-based training tools. These initiatives will complement other ongoing efforts supported by our budget that address the issue of consistency and accuracy. Among these are:

- revision of all of the regulations that govern the compensation and pension programs in plain language to ensure that the rules can be applied consistently and fairly
- in-depth data analysis of benefit decisions to identify potential areas of inconsistency, increasingly possible with our new information technology applications and tools
- centralized processing of appeals remanded by the Board of Veterans' Appeals, and ongoing quality reviews of appealed claims decisions.

An important and successful component of VA's vision for providing a seamless transition for service members separating from active duty is the Benefits Delivery at Discharge (BDD) program. The BDD program enables active duty service members to file disability compensation claims with VA staff at military bases, complete physical exams, and have their claims evaluated before, or

closely following, their military separation dates. Transitioning service members benefit greatly from the BDD program, which has been a vital part of the Department's strategy for improving timeliness and accuracy of disability compensation claims processing.

We believe the BDD program provides opportunities to not only benefit transitioning service members through timely and accurate claims processing, but also to bring new processing improvements and efficiencies to the system through consolidation of claims evaluation activities. An initiative is currently underway to consolidate disability compensation rating and authorization actions on all BDD claims to two sites nationwide. VA staff will continue work with transitioning service members at military bases to establish claims and arrange for timely medical exams, thereby retaining these successful aspects of the BDD program.

In support of the education program, the 2006 budget proposes \$7.8 million for continued development and implementation of the Education Expert System. The requested funds will be used to first transition education processing to VBA's corporate environment, followed by the development and deployment of a processing system that receives application and enrollment information electronically and processes that information in the new corporate environment without human intervention. While it will be a number of years before this system is fully deployed, it will ultimately lead to substantial improvements in education claims processing timeliness.

In April 2004 the Department's Vocational Rehabilitation and Employment Task Force released its report containing more than 100 recommendations on how to improve service to disabled veterans. The focus of the report was on development and implementation of a new, integrated service delivery system based on an employment-driven process. In response to the task force's recommendations, VA is including \$4.4 million in the 2006 resource request to be used for establishing a job resource lab in each regional office. These labs will include all of the necessary equipment, supplies, and resource materials to aid VA staff and veterans in conducting comprehensive analyses of local and national job outlooks, developing job search plans, preparing for interviews, developing resumes, and conducting thorough job searches. These self-service job resource labs will assist veterans in acquiring suitable employment through the use of a comprehensive on-line employment preparation and job-seeking tool.

In order to make the delivery of VA benefits and services more convenient for veterans and more efficient for the Department, we are requesting \$4.4 million for the collocation and relocation of some regional offices. This effort may involve collocations using enhanced-use authority, which entails an agreement with a private developer to construct a facility on Department-owned grounds and then

leasing all or part of it back to VA. At the end of these long-term lease agreements, the land and all improvements revert to VA ownership.

### Burial

The President's 2006 budget includes \$290 million in discretionary funding for VA's burial program, which includes operating and maintenance expenses for the National Cemetery Administration, capital programs, the administration of mandatory burial benefits, and the State Cemetery Grants program. This total is nearly \$17 million, or 6.4 percent, over the 2005 enacted level.

The 2006 request includes \$167 million in administrative funding for VA's burial program, an increase of \$7.3 million (or 4.6 percent) from the 2005 enacted level. Within this total, \$156 million is for the operations and maintenance of VA's national cemeteries and \$11 million is for the administrative processing of claims for burial benefits. The additional funding will be used to meet the growing workload at existing cemeteries, primarily by increasing staffing and contract maintenance.

Our budget request for the burial program includes \$90 million for construction projects. Of this total, \$65 million is for major projects and \$25 million is for minor projects. Consistent with the provisions of the National Cemetery Expansion Act of 2003, we are requesting \$41 million in major construction funding for land acquisition for six new national cemeteries in the areas of Bakersfield, California; Birmingham, Alabama; Columbia-Greenville, South Carolina; Jacksonville, Florida; Sarasota, Florida; and southeastern Pennsylvania. The 2006 request also includes funding to develop an annex for the expansion of Fort Rosecrans National Cemetery in Miramar, California. In addition, this budget provides \$32 million for the State Cemetery Grants program.

Our resource investments in the burial program produce positive results in service delivery to veterans and their families. We will expand access by increasing the percent of veterans served by a burial option within 75 miles of their residence to 82.2 percent in 2006, which is 6.9 percentage points above the 2004 figure. While our 2004 performance was extremely high in several key areas, we will continue to improve our performance in 2006 by increasing the percent of:

- survey respondents who rate the quality of service provided by the national cemeteries as excellent from 94 percent to 96 percent
- survey respondents who rate national cemetery appearance as excellent from 98 percent to 99 percent
- graves in national cemeteries marked within 60 days of interment from 87 percent to 89 percent.

These performance improvements will further enhance the outstanding reputation of VA's National Cemetery Administration which, in 2004, earned the

highest rating ever achieved by a public or private organization in the American Customer Satisfaction Index (ACSI). These results showed that the Department's national cemeteries produced a customer satisfaction rating of 95 out of a possible 100 points. This is two points higher than the last survey conducted in 2001 when VA's national cemeteries also ranked number one among federal agencies in customer satisfaction.

### Management Improvements

VA continues to aggressively pursue a variety of initiatives aimed at ensuring we apply sound business principles to all of the Department's operations. Two of our most successful management improvement efforts during the last year focus on the strategic management of human capital and capital asset management.

As an integral component of our succession planning activities, we released a state-of-the-art "VA Recruitment" CD-ROM in September 2004 promoting the Department as an employer of choice. We distributed this to colleges and universities, military transition centers, veterans organizations, and VA vocational rehabilitation centers, offices, and medical centers. This initiative creates a corporate recruitment marketing approach that will give VA a competitive edge in attracting highly-qualified career applicants. The CD-ROM uses graphics and video streaming to present a wide spectrum of career opportunities and describes VA's goals and services, occupations, and the benefits of working for the Department. We will continue to focus on creative marketing initiatives and outreach to prospective applicants.

VA has also launched a Capital Asset Management System (CAMS) which is an integrated, Department-wide system that enables us to establish, analyze, monitor, and manage our portfolio of diverse capital assets through their entire lifecycle from formulation through disposal. CAMS provides a strategic view of existing, in-process, and proposed asset investments across all VA program offices and capital asset types. All offices now use this shared system to collect and monitor real property and capital asset information. In addition, VA has been approached by numerous agencies, including the Departments of Defense, Homeland Security, Commerce, and Interior to explore the replication of CAMS in their organizations.

VA's progress in this area places it in the forefront of other federal agencies in terms of its ability to meet the real property performance measures and guidelines that were recently finalized by the newly created Federal Real Property Council.

We are currently in the process of fully evaluating all of the information gathered during the operational tests of the Core Financial and Logistics System (CoreFLS) conducted last year. This year we will complete a comprehensive analysis of the product and any existing configuration gaps, examine lessons

learned from the pilot tests, and reevaluate our business processes. This will provide us with the information needed to refine the system as well as develop improved change management, training, and implementation procedures that are critical to successful deployment. In anticipation of an enhanced financial management system moving forward to full deployment at VA facilities nationwide, the Department's 2006 budget includes \$70.1 million for this project.

In support of one of the primary electronic government initiatives for improving internal efficiencies and effectiveness, the Department's 2006 budget provides \$8 million to continue the migration of VA's payroll services to the Defense Finance and Accounting Service (DFAS). This initiative will consolidate 26 federal payroll systems down to 2 federal payroll provider partnerships. VA is working with DFAS on all required tasks to ensure successful migration.

### Closing

Mr. Chairman, our 2006 budget request of \$70.8 billion will provide the resources necessary for VA to:

- provide timely, high-quality health care to more than 5.2 million patients; 78 percent of all veteran patients will be veterans with service-connected disabilities, those with lower incomes, or veterans with special health care needs
- maintain the 2005 performance level of 145 days, on average, to process compensation and pension claims
- increase access to our burial program by ensuring that more than 82 percent of veterans will be served by a burial option within 75 miles of their residence.

I look forward to working with the members of this committee to continue the Department's tradition of providing timely, high-quality benefits and services to those who have helped defend and preserve freedom around the world.

That concludes my formal remarks. My staff and I would be pleased to answer any questions.